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STATISTICAL BULLETIN

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The Conference Board
70th Anniversary

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- LABOR MARKET ACTIVITY SLIGHTLY HIGHER
- CONSUMER INCOME GROWING A LITTLE FASTER
- INDUSTRIAL CONDITIONS IMPROVING AT THE MOMENT
- BUT HOME BUYING & BUILDING ARE WEAKENING
- AND THE TRADE DEFICIT IS NARROWING DESPITE RISING IMPORTS
- OUTLOOK • MODERATE TO SLUGGISH ECONOMIC GROWTH IN THE FIRST HALF OF 1987, AFTER A RELATIVELY STRONG FOURTH QUARTER

OVERVIEW: A year ago, the question was whether rising consumer demand could keep the economic expansion on track even though business investment was losing steam. A year later, the roles are reversed. Business investment is no longer weakening. In fact, there is some indication that it may begin to rebound. Conversely, consumer attitudes reflect a little less confidence in continued expansion of economic activity. As if to reinforce that message, consumer borrowing remains relatively subdued. Even demand for mortgages and car loans appears to have softened.

The economy is clearly in a transition at the moment, making it extremely difficult to figure out which direction it is going to take. Consumer demand may be poised for some softening, yet wage-income growth has strengthened a bit recently. Conversely, both industrial output and the trade deficit have recently narrowed—but new orders are falling, inventory is piling up and import growth remains relatively strong.

On balance, the center of this economic expansion will shift a bit, from consumption to investment, but growth in 1987 is likely to remain close to the pace of this year. The consensus of the **Economic Forecasts** is that real GNP will rise at about a 1.8% (annual rate) in the first quarter of 1987, and 2.7% in the second.

DOMESTIC MARKET MONITOR

After months of little change, the labor market improved this Autumn. Job growth remains moderate and the unemployment rate is still at 7 percent. Job gains are weak in 3 key areas—durable manufacturing, wholesale trade and construction. But hours worked are rising sharply and labor demand appears to be perking up.

In other words, employers have apparently stepped up production schedules by hiring a few more workers and increasing the average workweek. Even in durable manufacturing, hours worked were 0.1% higher in November than 3 months earlier. Hours in wholesale trade were 0.4% higher but construction hours were 0.1% lower. Total hours in private industry were 0.9% higher. That sharp rise in labor input suggests that industrial output has quickened.

Job growth may quicken as labor demand seems strengthened after a prolonged period of little change. The Conference Board's **Help-wanted Index** stood at 141 (1967 = 100) in October, exactly the level of last June. But early returns to the November survey suggest that job-advertising volume continued to rise.

INCOME: Wage gains aren't as sluggish anymore. Wages in commodity producing industry were 1.7% higher in October than 3 months earlier (they had declined by 0.8% over the prior 6 months.) Wages in other industries were 1.4% higher in October than 3 months earlier, roughly the pace of earlier growth.

Nonwage income has also improved just a bit. To be sure, nonwage income was only 0.1% higher in October than 3 months earlier. However, it declined 0.8% over the prior 3 months.

The net rise in consumer installment debt began to slow down last Spring. With the exception of promotion-related car loans, net consumer borrowing remained subdued through October. Even car loans have slowed since the financing promotions ended in September.

Though still relatively optimistic, consumer attitudes have dampened. The Conference Board's **Consumer Confidence Index** stood at 89.6 (1985 = 100) in November, compared with a reading of 95.5 in July. Consumers do not rate current economic conditions as highly as they did this past Summer; and they are a little less confident about good near-term prospects as they were only a short time ago.

Spending: A little less optimistic about the economy, and somewhat hesitant about incurring new debt, consumers are shopping carefully. Retail sales, except cars, were 2.5% higher in October than 3 months earlier. But sales of furniture and appliances were 1% lower. And new domestic Automobile Sales slumped to a 6.8 million annual rate in November, from a peak rate of 12.1 million in September. Foreign sales maintained a rather steady pace, at about 3½ million cars per month, this Summer and Fall.

CONSTRUCTION: Consumer demand for housing has cooled considerably. New, single-family home sales were 5.2% lower in October than 3 months earlier. Indeed, sales

Ken Goldstein, Editor

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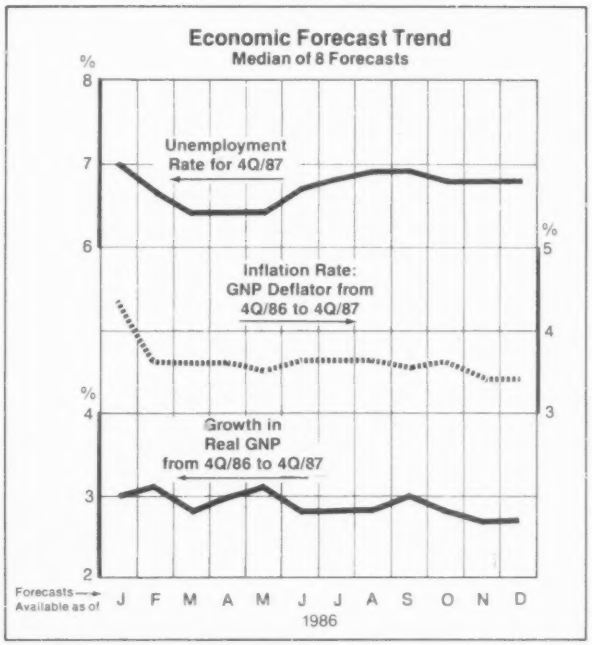


have been moving lower since the peak month of March, despite falling mortgage rates. Moreover, the median price of a new, single-family home was not much higher in October than last March.

With home sales falling, the inventory of unsold single-unit homes was 2.9% higher in October than 3 months earlier. Single-unit starts and permits, then, have been slashed. Moreover, construction of multi-unit housing remains weaker than single-unit building.

Nonresidential construction, after an extended slump, has been rebounding. The value of new, nonresidential construction was 2.3% higher, deflated, in October than 3 months earlier. That suggests that business investment in structures may have turned a corner.

PRODUCTION: After rising for 3 months, industrial output was flat in October. Declining energy production chiefly accounts for the lack of stronger progress to date. Still, output of business equipment was 1.8% higher in October than 3 months earlier—another positive sign for investment. Moreover, the rise in hours worked in November suggests that production probably rose considerably.

The degree of idle resources may be overstated. More hours were worked, more output produced, yet capacity utilization, after remaining flat for 3 months, declined in October. If capacity use is understated, the priority for new investment might also be understated.

Improving industrial conditions may be cut short by the recent fall in new orders. Some of that drop is realted to the erratic ordering rate for defense-related goods. But nondefense orders for durable goods were 1.9% lower in October than 3 months earlier.

INVENTORY: Output gains may also be limited by a runup of inventory. Total inventory, except for cars at the retail level, was 0.3% higher in September than 3 months earlier. Still production gains were weakest in the durable goods area, especially consumer durables. Inventory gains have been centered in nondurable goods.

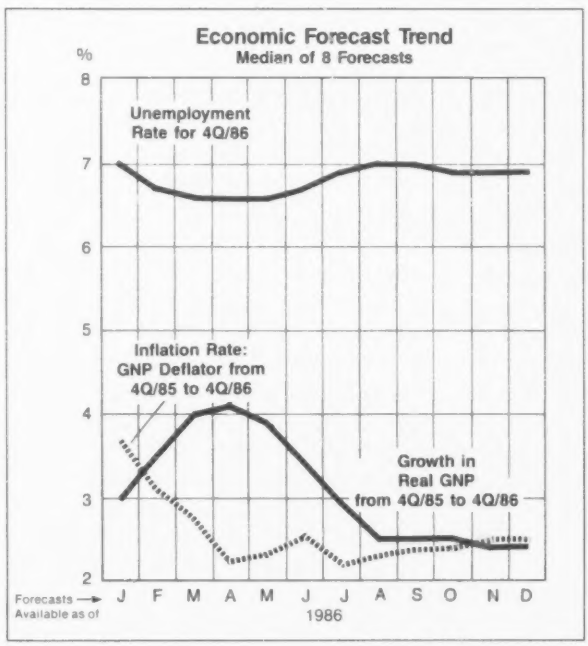
INTERNATIONAL MONITOR

Imports of manufactured goods seem to be rising. Shipments of aircraft and parts, always an erratic component, declined rather sharply in recent months. But imports of manufactured goods, except aircraft, were 6% higher in October than the average level of the past few months. Machinery, electric and nonelectric, rose significantly. So did foreign car imports, despite a rather steady buying pace. That reflects a resumption of car imports from Canada following a strike.

The rise in exports also raises some questions. Exports of aircraft, always uneven, have been rising. Moreover, exports of nonelectric machinery and transport equipment, except aircraft, have been increasing even as imports of manufactured products in the same two categories have been rising.

Rising imports and exports are occurring while the dollar remains flat. The trade-weighted **Exchange Rate** of the dollar against other major currencies was at the same level in November as in July.

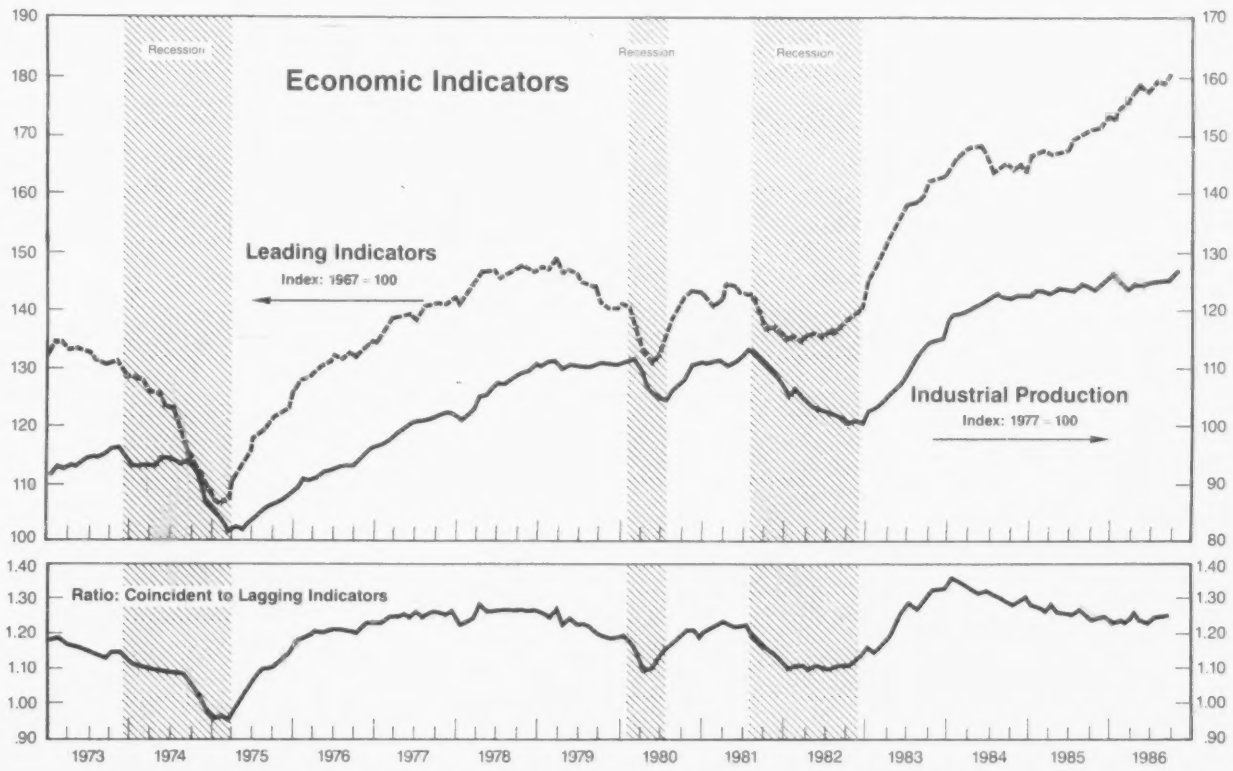
Ken Goldstein



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.	X			0.6%	5.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.			X	– 6.2%	– 6.0%
New orders, nondefense capital goods (deflated)	Oct.			X	– 7.5%	– 2.8%
*New business formation	Oct.			X	– 1.3%	3.3%
*Housing permits	Oct.			X	– 11.0%	– 8.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.	X			2.5%	0.8%
*Change in inventory, on hand & order (deflated)	Sep.			X	– 2.2%	– 3.7%
Purchasing agents' buying policy	Nov.	X			2.0%	7.0%
*Vendor performance, reported slower deliveries	Oct.		X		0.0%	8.0%
Industrial raw materials prices	Nov.	X			15.0%	3.9%
*Change in sensitive material prices	Oct.		X		– 0.3%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.	X			1.8%	7.3%
Change in business loans	Oct.	X			31.8%	– 27.2%
*Change in credit outstanding	Oct.		X		0.8%	– 7.5%
Change in consumer installment debt	Sep.	X			35.8%	– 23.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.8%	6.0%
*Common stock prices	Nov.		X		0.0%	24.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.	X			+ 0.1hr	0.2hr
*Initial unemployment claims (inverted)	Nov.	X			6.9%	7.1%

Note: For a description of the Leading Indicators Composite index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



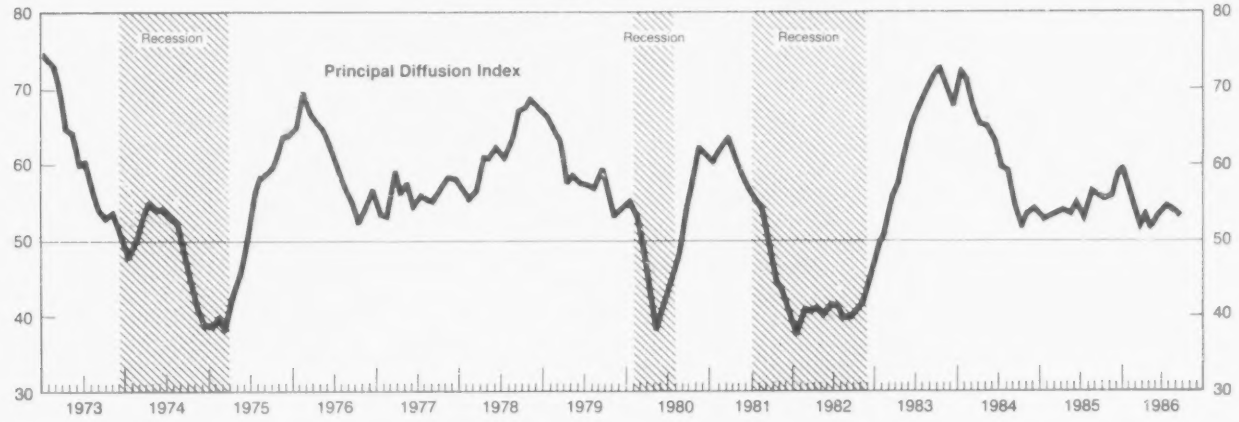
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985 Oct.	1986 Jul.	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	55.1	54.3r	53.7r	54.2r	52.3
Auxillary Diffusion Index	49.4	56.9r	47.9	51.7r	44.0
Industrial Group	58.8	51.8r	49.8r	49.0r	49.6
Nonindustrial Group	51.4	56.9	57.6	59.4r	55.1
Sense of Diffusion	1	1	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.3	67.5	62.4	57.7r	58.1
Labor	62.9	46.4r	47.8r	47.9	51.2
Miscellaneous	40.4	41.7	35.9	38.5	32.7
Nonindustrial Subgroups					
Prices	36.5	67.3	66.0	64.1	61.5
Consumer	63.2	70.9	70.5	75.2r	69.7
Building	51.3	33.0	42.3	43.3r	40.4
Miscellaneous	49.6	51.7	49.1	51.3r	46.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984 Feb.	1984 May	1984 Aug.	1984 Nov.	1985 Feb.	1985 May	1985 Aug.	1985 Nov.	1986 Feb.	1986 May	1986 Nov.
	Score (scale 0-100)										
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

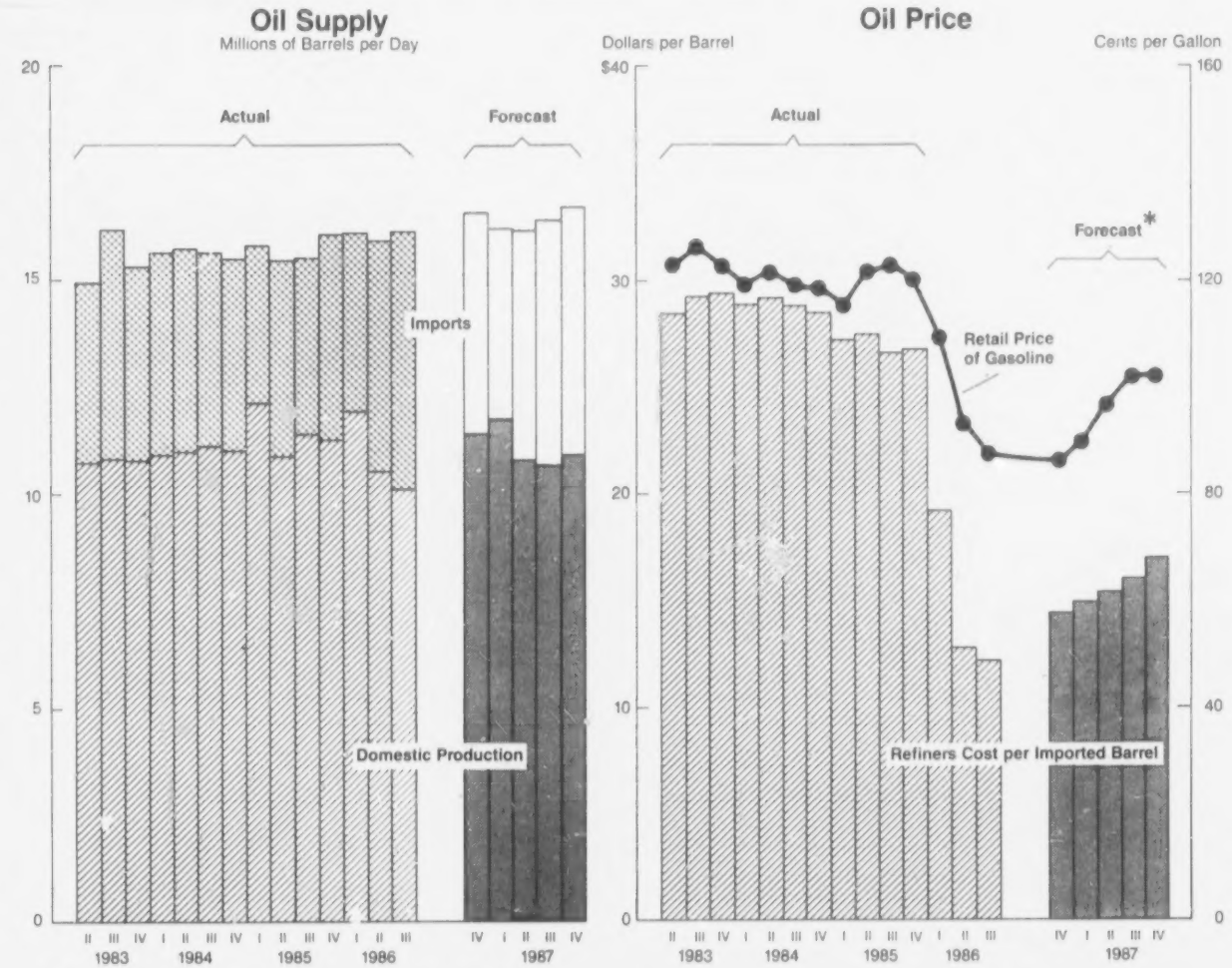
Billions of Dollars, Seasonally Adjusted

	1984	1985				1986		Percent Change From Previous Year	
	IV	Ir	IIr	IIIr	IV	Ir	IIp	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	- 8	- 6
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.643	10	- 2
Change in appropriations backlog*	+2.302	+4.984	+0.529	-2.702	-2.594	-2.360	-5.845		
Durable Goods									
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	- 13	9
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.479	11.602	15	5
Change in appropriations backlog*	+1.797	+4.154	-2.515	-1.094	-3.063	-1.592	-3.434		
Nondurable Goods									
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	- 2	-20
Capital expenditures	12.364	11.706	12.097	12.431	13.660	12.087	11.046	6	- 9
Change in appropriations backlog*	+0.505	+0.830	+3.044	-1.608	+0.469	-0.786	-2.411		
ELECTRIC & GAS UTILITIES									
New appropriations	11.554	9.370r	15.139r	5.093r	8.692r	9.084	35.237	+ 3	
Capital expenditures	9.337	9.078r	9.366r	9.078r	8.417r	7.425	16.190	-2.0	
Change in appropriations backlog*	- 3.147	+0.363r	+4.662r	-4.984r	-0.261r	+1.773	+14.520		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

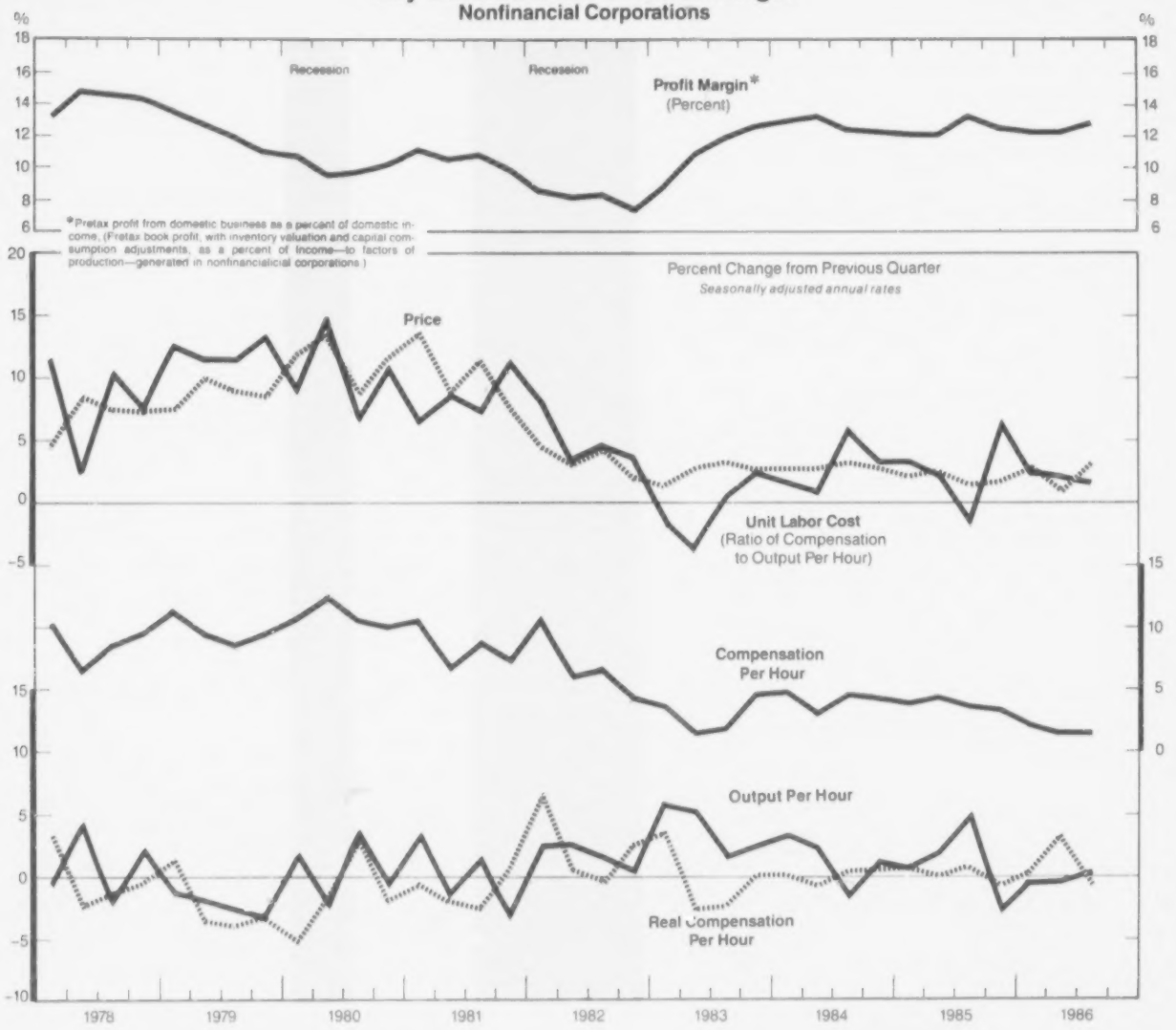
* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).



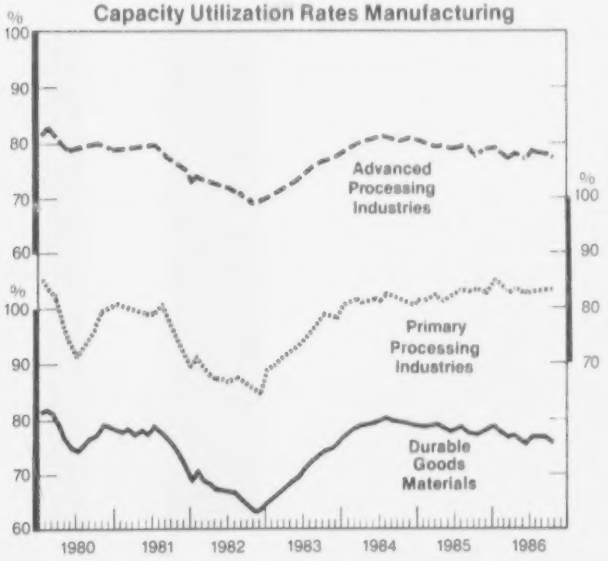
* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin

Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Nov., 1986*		*Nov., 1986*		*Nov., 1986*		*Nov., 1986*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1986**	**III**	**$4241.1**	**6.4%**	**$4241.1**	**6.4%**	**$4241.1**	**6.4%**	**$4241.1**	**6.4%**
		IV	4295.0	5.2	4282.8	4.0	4297.3	5.4	4300.0	5.7
	1987	I	4353.6	5.6	4332.4	4.7	4370.2	7.0	4353.0	5.0
		II	4426.8	6.9	4389.6	5.4	4453.5	7.8	4416.3	5.9
		III	4511.3	7.9	4454.1	6.0	4541.5	8.1	4480.0	5.9
		IV	4592.9	7.4	4528.5	6.9	4624.3	7.5	4544.7	5.9
	1988	I	4686.2	8.4	4610.0	7.4	4698.2	6.5	4604.9	5.4
		II	4773.3	7.6	4690.8	7.2	4770.2	6.3	4672.5	6.0
		III	4843.9	6.0	4772.5	7.2	4840.5	6.0		
		IV	4916.6	6.1	4856.8	7.3	4911.3	6.0		
	1986	Annual	4215.2	5.4	4212.2	5.4	4215.8	5.4	4216.5	5.5
	1987	Annual	4471.2	6.1	4426.2	5.1	4497.4	6.7	4448.5	5.5
	1988	Annual	4805.0	7.5	4732.5	6.9	4805.1	6.8		
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1986**	**III**	**$3687.3**	**2.9%**	**$3687.3**	**2.9%**	**$3687.3**	**2.9%**	**$3687.3**	**2.9%**
		IV	3720.5	3.7	3704.5	1.9	3711.0	2.6	3702.7	1.7
	1987	I	3746.2	2.8	3716.0	1.2	3748.0	4.0	3714.0	1.2
		II	3782.1	3.9	3732.6	1.8	3787.0	4.2	3736.0	2.4
		III	3825.2	4.6	3755.9	2.5	3826.0	4.2	3756.0	2.2
		IV	3866.0	4.3	3788.1	3.5	3860.0	3.6	3772.0	1.7
	1988	I	3908.9	4.5	3815.8	3.0	3866.0	.6	3781.0	2.0
		II	3943.6	3.6	3844.6	3.1	3910.0	4.6	3800.0	2.0
		III	3960.3	1.7	3871.5	2.8	3929.0	2.0		
		IV	3983.0	2.3	3901.7	3.2	3948.0	1.9		
	1986	Annual	3681.3	2.7	3677.3	2.6	3678.9	2.6	3676.8	2.6
	1987	Annual	3804.9	3.4	3748.2	1.9	3805.3	3.4	3744.5	1.8
	1988	Annual	3949.0	3.8	3858.4	2.9	3913.3	2.8		
Gross National Product deflator Index, 1982 = 100										
Actual	**1986**	**III**	**115.0**	**3.5%**	**115.0**	**3.5%**	**115.0**	**3.5%**	**115.0**	**3.5%**
		IV	115.4	1.5	115.6	2.1	115.8	2.7	116.1	3.9
	1987	I	116.2	2.7	116.6	3.4	116.6	2.8	117.2	3.7
		II	117.0	2.9	117.6	3.5	117.6	3.5	118.2	3.5
		III	117.9	3.1	118.6	3.4	118.7	3.8	119.3	3.7
		IV	118.8	3.0	119.5	3.3	119.8	3.8	120.5	4.1
	1988	I	119.9	3.7	120.8	4.3	121.5	5.9	121.8	4.4
		II	121.0	3.9	122.0	4.0	122.0	1.6	123.0	3.9
		III	122.3	4.3	123.3	4.2	123.2	4.0		
		IV	123.4	3.7	124.5	4.0	124.4	4.0		
	1986	Annual	114.5	2.7	114.5	2.7	114.6	2.8	114.7	2.8
	1987	Annual	117.5	2.6	118.1	3.1	118.2	3.1	118.8	3.6
	1988	Annual	121.7	3.5	122.6	3.9	122.8	3.9		
Unemployment Rate										
Actual	**1986**	**III**		**6.9%**		**6.9%**		**6.9%**		**6.9%**
		IV		6.9		6.9		7.0		7.0
	1987	I		6.8		7.0		7.0		7.0
		II		6.7		7.1		6.9		6.8
		III		6.6		7.1		7.0		6.7
		IV		6.4		7.0		7.0		6.7
	1988	I		6.2		6.9		7.0		6.7
		II		6.0		6.9		7.1		6.8
		III		5.9		6.8		7.1		
		IV		5.9		6.7		7.1		-
	1986	Annual		7.0		7.0		7.0		7.0
	1987	Annual		6.6		7.1		7.0		6.8
	1988	Annual		6.0		6.8		7.1		

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on preliminary third quarter data.

[2]Based on revised (first revision) third quarter data.

ECONOMIC FORECASTS (continued)

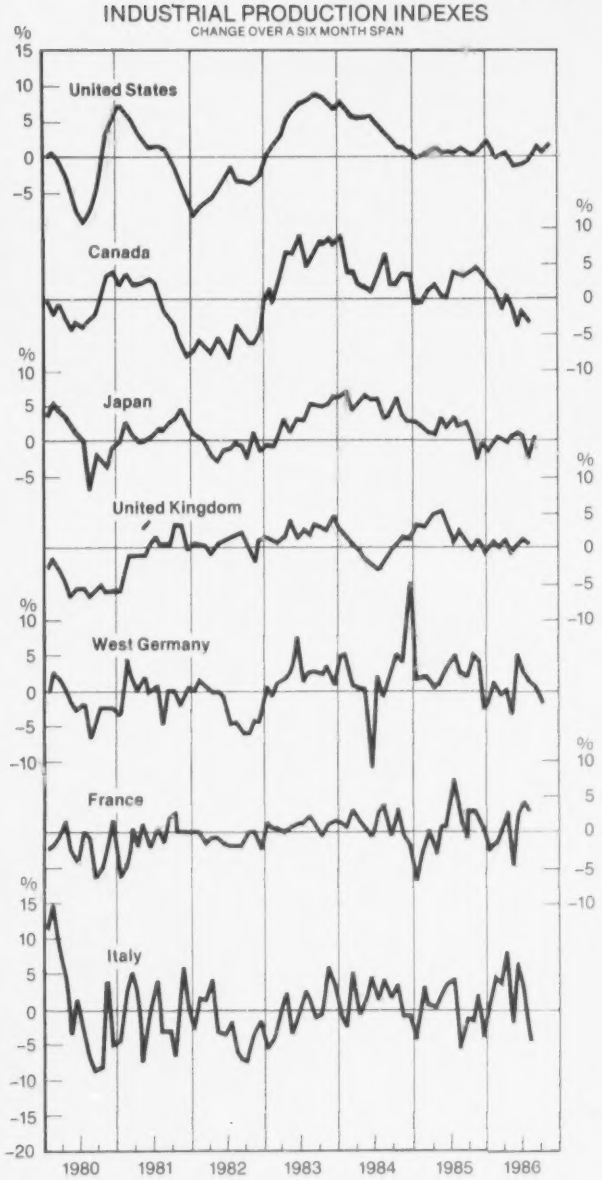
The Conference Board[1]		Chase Econometric[2] Associates, Inc.		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Oct., 1986		Nov., 1986		Nov., 1986		Nov., 1986		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
		$4241.1	**6.4%**	**$4241.1**	**6.4%**	**$4241.1**	**6.4%**	**III**	**1986**	**Actual**
$4293.0	5.7%	4282.5	4.0	4284.7	4.2	4285.3	4.2	IV		
4340.0	4.5	4333.9	4.9	4329.2	4.2	4357.5	6.9	I	1987	
4402.0	5.8	4387.2	5.0	4392.3	6.0	4434.3	7.2	II		
4478.0	7.1	4453.7	6.2	4466.9	7.0	4516.5	7.6	III		
4560.0	7.5	4522.8	6.4	4539.2	6.6	4603.9	8.0	IV		
		4591.2	6.2	4629.2	8.2	4699.4	8.6	I	1988	
		4671.1	7.1	4711.4	7.3	4795.3	8.4	II		
		4749.7	6.9	4776.2	5.6	4888.1	8.0	III		
		4827.2	6.7	4843.0	5.7	4980.7	7.8	IV		
4213.0	5.4	4212.1	5.4	4212.7	5.4	4212.8	5.4	Annual	1986	
4445.0	5.5	4424.4	5.0	4431.9	5.2	4478.1	6.3	Annual	1987	
		4709.8	6.5	4740.0	7.0	4840.9	8.1	Annual	1988	
								Gross National Product Billions of Constant (1982) Dollars		
		$3687.3	**2.9%**	**$3687.3**	**2.9%**	**$3687.3**	**2.9%**	**III**	**1986**	**Actual**
$3704.1	2.3%	3710.9	2.6	3711.3	2.6	3698.4	1.2	IV		
3715.6	1.2	3730.6	2.1	3724.9	1.5	3726.8	3.1	I	1987	
3736.8	2.3	3748.7	2.0	3752.9	3.0	3757.9	3.4	II		
3763.2	2.9	3772.8	2.6	3788.6	3.9	3792.1	3.7	III		
3793.7	3.3	3800.0	2.9	3822.9	3.7	3827.9	3.8	IV		
		3822.6	2.4	3864.9	4.5	3867.0	4.1	I	1988	
		3849.6	2.9	3897.7	3.4	3901.3	3.6	II		
		3878.5	3.0	3912.2	1.5	3930.6	3.0	III		
		3907.0	3.0	3933.1	2.2	3956.4	2.7	IV		
3676.2	2.5	3678.9	2.6	3679.0	2.6	3675.8	2.5	Annual	1986	
3752.3	2.1	3763.0	2.3	3772.3	2.5	3776.2	2.7	Annual	1987	
		3864.4	2.7	3902.0	3.4	3913.8	3.6	Annual	1988	
								Gross National Product deflator Index, 1982 = 100		
		115.0	**3.5%**	**115.0**	**3.5%**	**115.0**	**3.5%**	**III**	**1986**	**Actual**
115.9	3.3%	115.4	1.3	115.5	1.5	115.9	3.0	IV		
116.8	3.2	116.2	2.7	116.2	2.7	116.9	3.7	I	1987	
117.8	3.5	117.0	3.0	117.0	2.8	118.0	3.7	II		
119.0	4.1	118.0	3.5	117.9	3.0	119.1	3.8	III		
120.2	4.1	119.0	3.3	118.7	2.9	120.3	4.0	IV		
		120.1	3.7	119.8	3.5	121.5	4.2	I	1988	
		121.3	4.2	120.9	3.7	122.9	4.7	II		
		122.5	3.8	122.1	4.1	124.4	4.8	III		
		123.6	3.6	123.1	3.5	125.9	5.0	IV		
114.6	2.8	114.5	2.7	114.5	2.7	114.6	2.8	Annual	1986	
118.4	3.4	117.6	2.7	117.5	2.6	118.6	3.5	Annual	1987	
		121.9	3.7	121.5	3.4	123.7	4.3	Annual	1988	
								Unemployment Rate		
	5.9%		**6.9%**		**6.9%**		**6.9%**	**III**	**1986**	**Actual**
	7.1		6.9		6.9		7.1	IV		
	7.3		6.8		6.9		7.0	I	1987	
	7.4		6.8		6.9		7.0	II		
	7.4		6.8		6.9		6.9	III		
	7.2		6.8		6.8		6.8	IV		
			6.8		6.6		6.7	I	1988	
			6.7		6.4		6.5	II		
			6.7		6.4		6.4	III		
			6.7		6.3		6.4	IV		
	7.1		7.0		7.0		7.1	Annual	1986	
	7.3		6.8		6.9		6.9	Annual	1987	
			6.7		6.4		6.5	Annual	1988	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

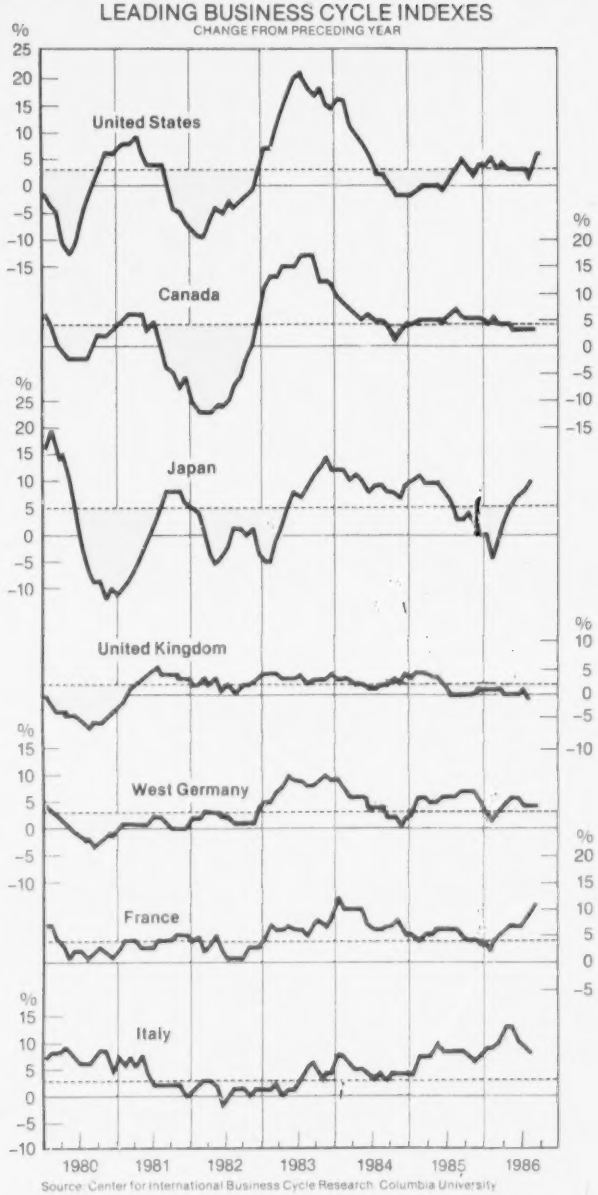
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

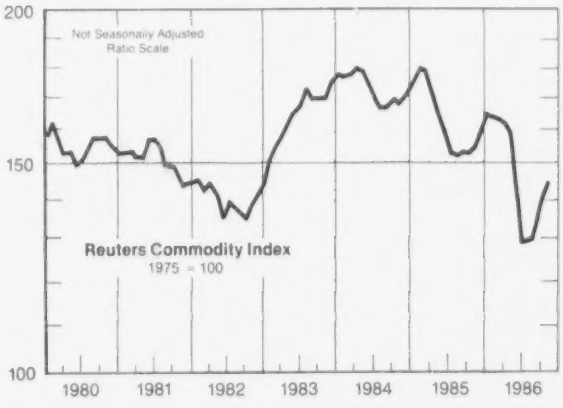
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

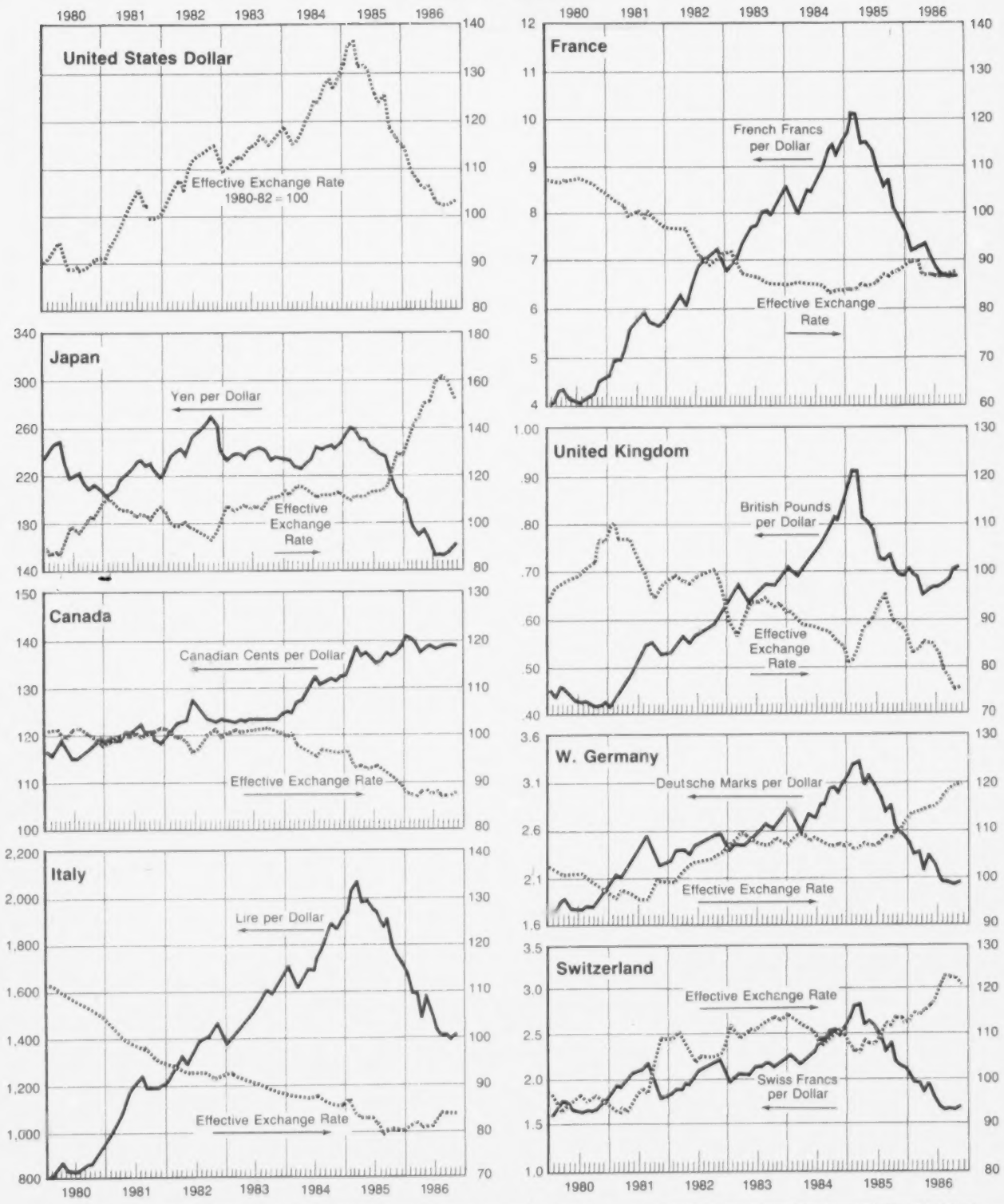
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade- using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

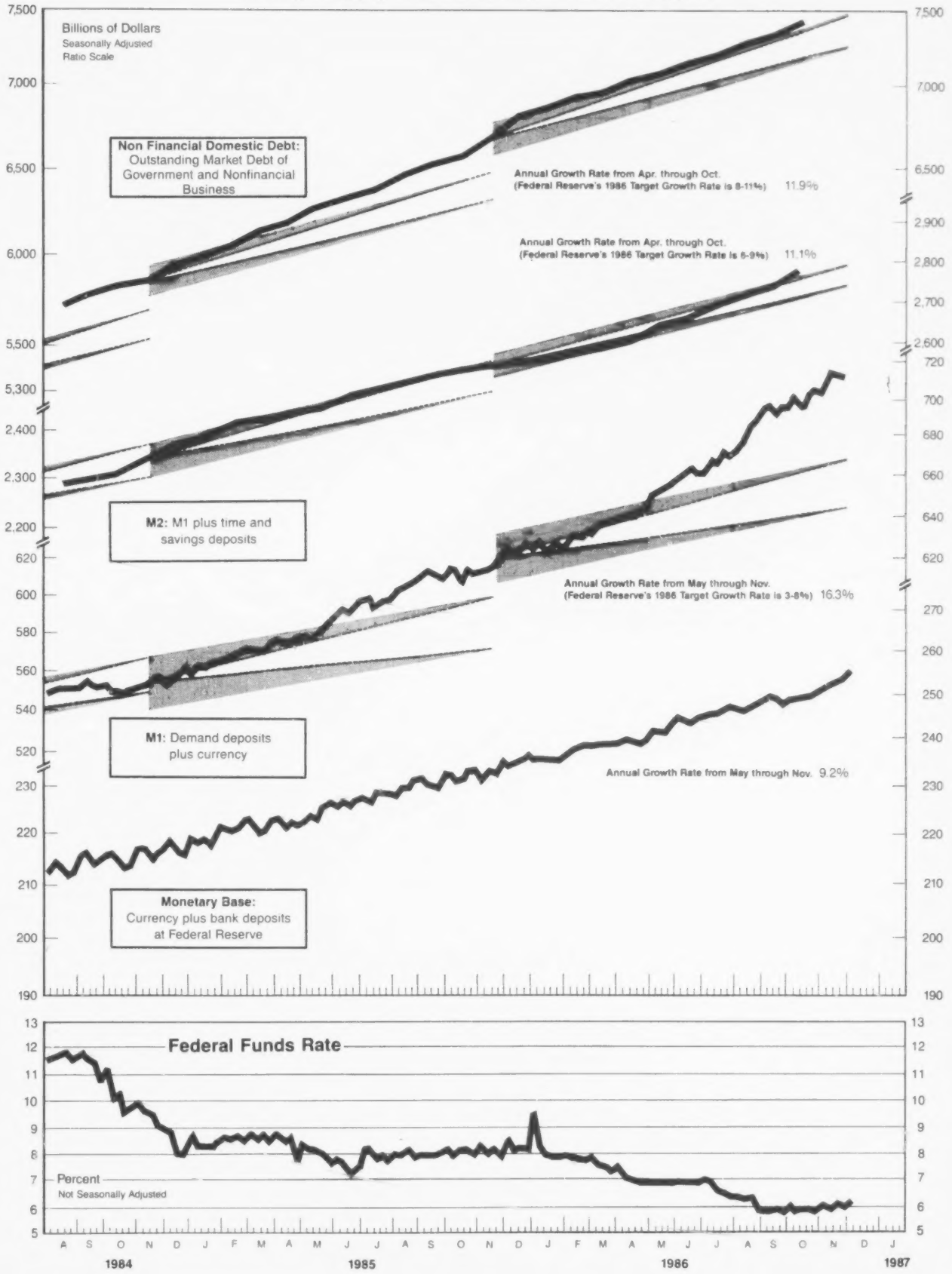
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimte	Administration's Latest Estimate
		(8/6/86)	(8/4/86)	(8/6/86)
Receipts	**$769.1**	**$831.2**	**$852.4**	**$ 918.2**
Outlays	**989.8**	**975.0**	**995.0**	**1,015.7**
Deficit	**-220.7**	**-143.8**	**-142.6**	**- 97.5**
Receipts by source	**$769.1**	**$831.2**	**$852.4**	**$ 918.2**
Individual income	349.0	381.7		423.1
Social security	263.9	304.6		333.9
Corporate income	63.1	75.0		92.6
Other receipts	73.1	69.9		68.6
Outlays by function	**$989.8**	**$975.0**	**$995.0**	**$1,015.7**
National defense	273.4	282.2	279.2	299.1
Social security	268.9	274.6	282.7	294.5
Income security	120.7	120.7	121.8	123.5
Health	35.9	35.9	38.3	36.0
Education & manpower	29.7	28.6	30.6	26.8
Veterans benefits	26.6	26.0	26.6	26.2
Transportation	28.1	25.8	25.9	24.4
Agriculture	31.2	18.7	23.5	23.0
International affairs	14.5	15.8	14.0	17.0
Natural resources	13.5	12.4	12.6	12.1
General science	9.0	9.3	8.9	9.6
Justice	6.6	7.1	7.2	7.2
General government	6.8	5.7	5.5	5.8
Community development	7.5	6.9	7.0	5.7
Commerce, Housing credit	4.3	0.8	2.1	0.9
Energy	4.8	2.7	3.5	4.6
Revenue sharing	6.4	2.2	2.8	1.6
Interest	135.3	139.1	143.7	140.8
Allowances	0.0	1.4	- 0.1	4.4
Offsetting receipts	- 33.2	- 41.1	- 40.3	- 47.3

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP			
Current Dollar	**$4,536.0**	**$4,504.0**	**$4,894.0**
Constant (1982) Dollar	**3,837.0**	**3,810.0**	**3,994.0**
Percent change in			
Current dollar	7.4%	6.8%	7.9%
Constant (1982) dollar	4.0	3.4	3.9
Implicit price index	3.3	3.3	3.3
Consumer price index	2.8	3.3	3.7
91-Day T bill rate	6.2	6.4	5.1
Unemployment rate	6.5	6.7	6.1

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Apr. through Oct. (Federal Reserve's 1986 Target Growth Rate is 8-11%) 11.9%
Annual Growth Rate from Apr. through Oct. (Federal Reserve's 1986 Target Growth Rate is 6-9%) 11.1%
M2: M1 plus time and savings deposits
Annual Growth Rate from May through Nov. (Federal Reserve's 1986 Target Growth Rate is 3-8%) 16.3%
M1: Demand deposits plus currency
Annual Growth Rate from May through Nov. 9.2%
Monetary Base: Currency plus bank deposits at Federal Reserve
Federal Funds Rate
Percent
Not Seasonally Adjusted
A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J
1984
1985
1986
1987

CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

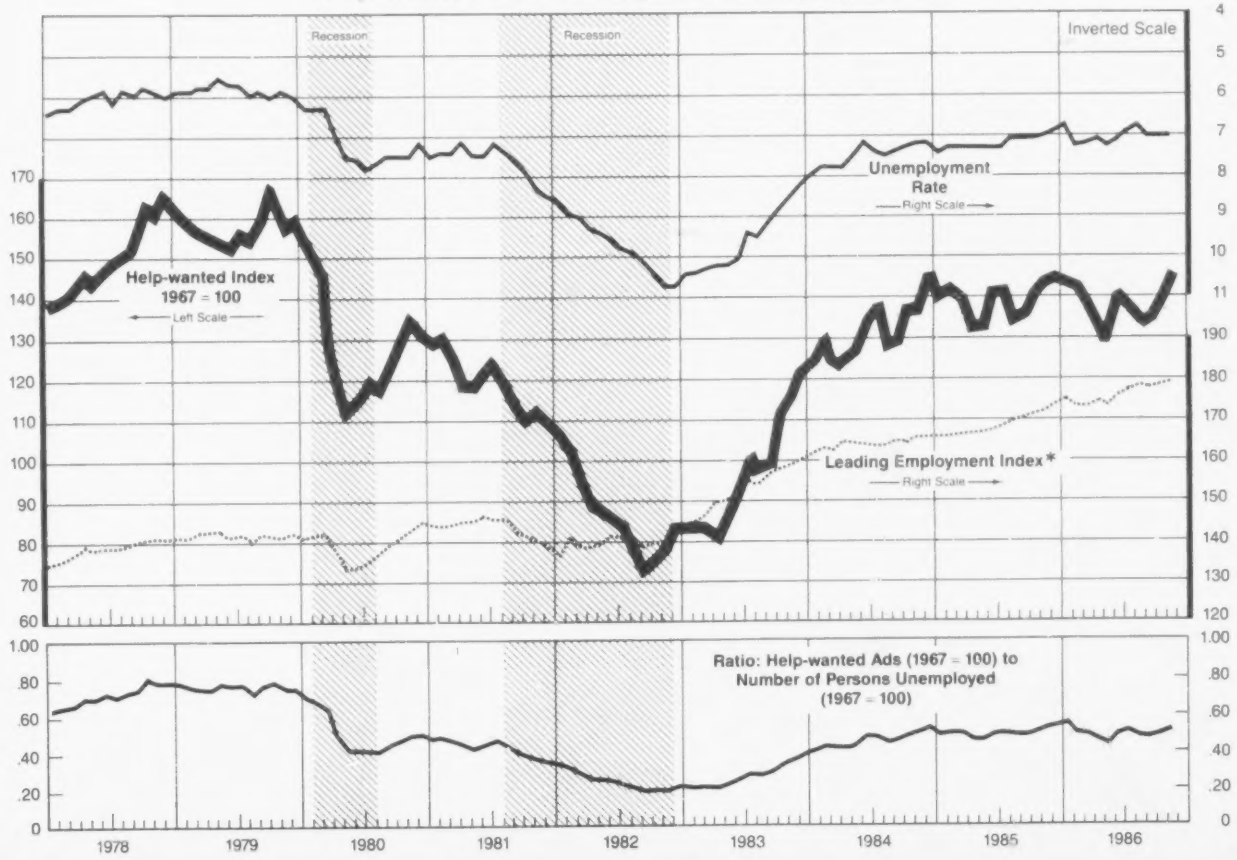
Seasonally Adjusted Indexes, 1967 = 100

Locality	1986 Oct.	1986 Sept.	1986 Aug.	1985 Oct.
National Index	141	135r	134	140
New England	171	165	159	157
Boston	175	170	160	164
Hartford	183	181	174	166
Providence	149	133	142	124
Middle Atlantic	82	81	75	72
Albany	286	182	172	174
Allentown	282	249	260	190
New York	58	68	57	58
Philadelphia	71	68	67	63
Pittsburgh	79	76	80	76
Rochester	81	76	81	82
Syracuse	N.A.	N.A.	N.A.	114
East North Central	93	90	92	86
Chicago	105	101	100	96
Cincinnati	144	136	150	132
Cleveland	59	60	62	58
Columbus	163	157	154	133
Dayton	76	76	82	75
Detroit	57	57	60	61
Gary	118	119	119	111
Indianapolis	100	98	93	90
Milwaukee	65	63	61	57
Toledo	115	113	119	113
West North Central	95	90	85	89
Kansas City	165	147	151	145
Minneapolis	79	75	55	73
Omaha	116	120	132	115
St. Louis	63	62	64	64
South Atlantic	195	183	185	190
Atlanta	270	252	245	291
Baltimore	231	218	225	220

Locality	1986 July	1986 June	1986 Aug.	1985 Sept.
Charlotte	173	158	158	143
Jacksonville	221	212	218	217
Miami	103	99	87	85
Richmond	131	127	127	116
Washington, D.C.	N.A.	172	190	179
East South Central	159	138	143	150
Birmingham	158	141	146	160
Knoxville	227	217	216	200
Louisville	83	75	79	92
Memphis	N.A.	120	130	102
Nashville	236	184	189	234
West South Central	152	146	153	221
Dallas	161	152	160	308
Houston	202	195	205	267
New Orleans	99	93r	100	101
Oklahoma City	89	93	96	120
San Antonio	141	137	138	199
Tulsa	N.A.	105	111	124
Mountain	281	272	270	324
Denver	175	169	173	203
Phoenix	419	394	384	482
Salt Lake City	292	298	300	395
Pacific	221	210	207	287
Los Angeles	147	149	144	150
Sacramento	393	383	394	369
San Bernadino	271	237r	238	240r
San Diego	569	468	461	473
San Francisco	224	214	211	207
Seattle	213	215	213	192
Percentage of papers with rising volume	80	37	18	69
Unemployment rate	7.0	7.0	6.8	7.1

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5	90.6	92.8	89.2r	89.6p	

Buying Plans Index

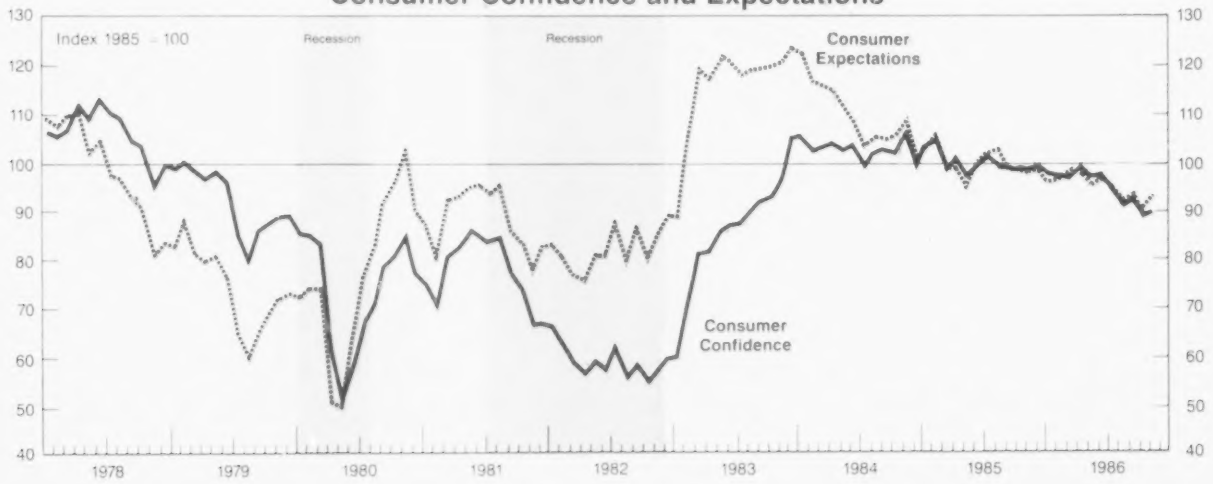
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7	109.7	105.8	99.4r	87.7p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973

Surveys are conducted by National Family Opinion, Inc.

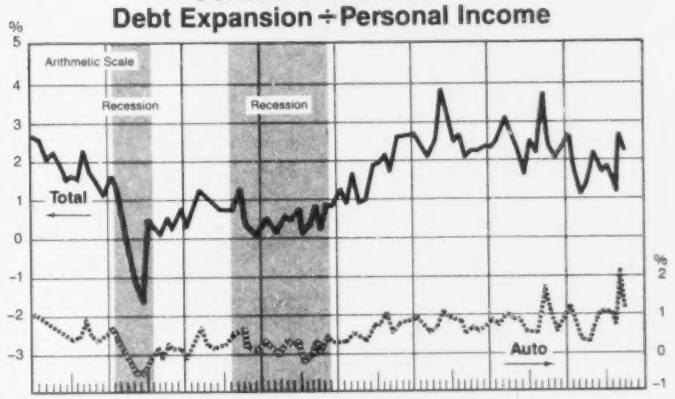
p—preliminary r—revised

Consumer Confidence and Expectations

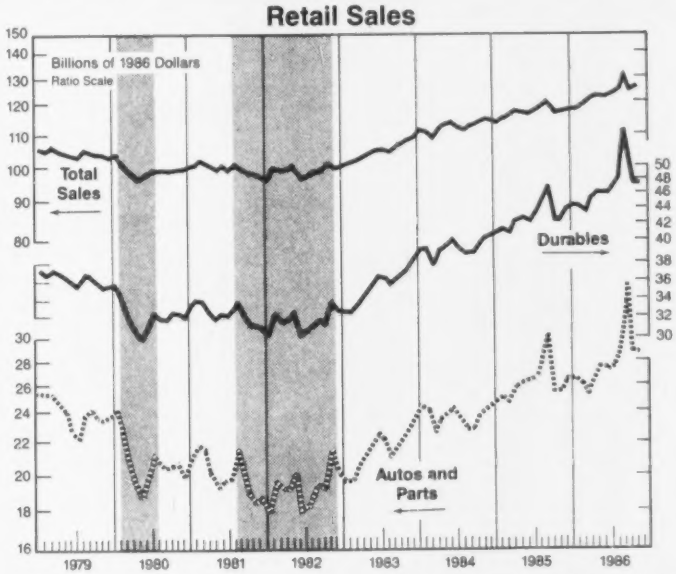


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



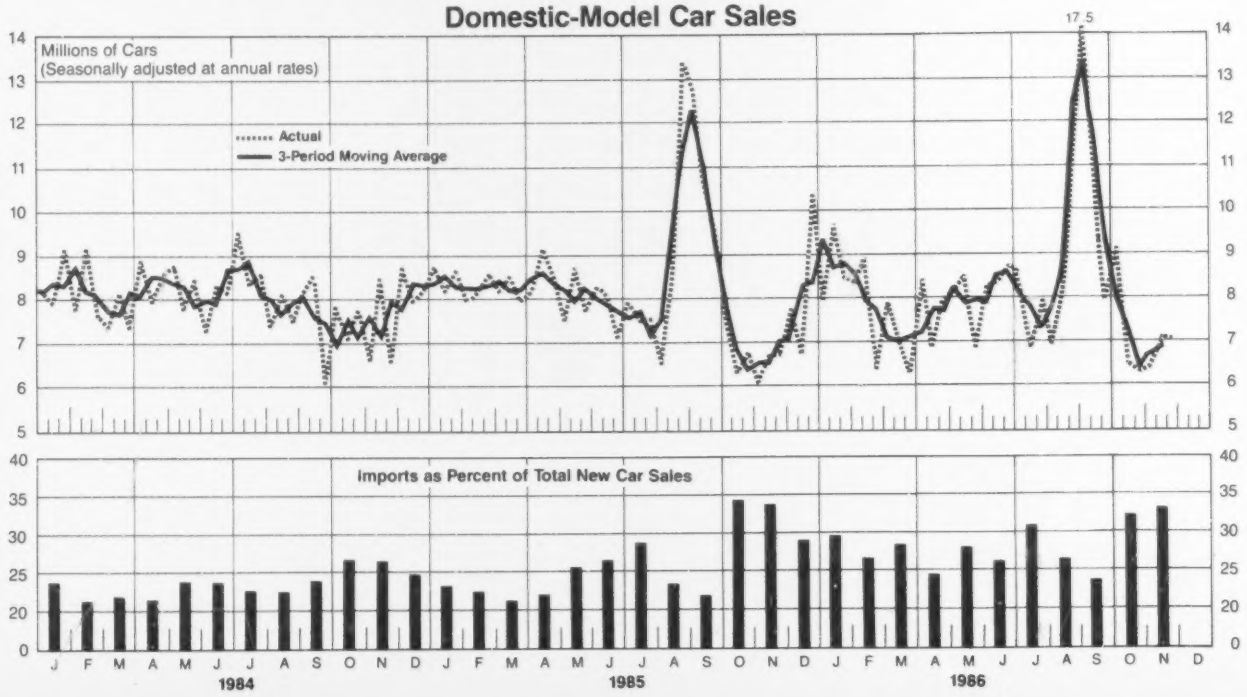
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1983	1984	1985	1986
January:	1-10	6.17	8.16	8.69	7.97
	11-20	6.20	7.84	8.15	9.63
	21-31	5.60	9.15	8.62	8.40
February:	1-10	5.86	7.79	7.97	8.32
	11-20	5.30	9.17	8.04	8.93
	21-28(29)	6.07	7.60	8.58	6.38
March:	1-10	5.61	7.35	8.14	7.81
	11-20	6.10	8.13	8.44	6.99
	21-31	6.19	7.35	7.94	6.24
April:	1-10	6.69	8.88	8.16	8.39
	11-20	6.52	7.96	9.12	6.97
	21-30	6.35	8.60	8.46	7.96
May:	1-10	6.67	8.75	7.45	8.13
	11-20	6.30	7.74	8.69	8.49
	21-31	6.97	8.43	7.70	6.86
June:	1-10	7.23	7.22	8.21	8.27
	11-20	7.34	8.25	8.02	8.38
	21-30	7.28	8.10	7.16	8.71
July:	1-10	7.25	9.51	7.89	8.59
	11-20	7.36	8.32	7.47	6.89
	21-31	7.43	8.59	7.53	7.92
August:	1-10	7.39	7.33	6.47	6.95
	11-20	6.11	8.07	8.39	8.28
	21-31	6.65	7.43	13.29	11.70
September:	1-10	6.26	8.13	12.76	17.47
	11-20	7.21	8.52	10.63	10.81
	21-30	6.55	6.03	9.49	7.90
October:	1-10	7.52	7.83	7.44	9.12
	11-20	7.56	7.07	6.27	6.41
	21-31	7.45	7.70	6.75	6.32
November:	1-10	6.96	6.60	6.04	6.38
	11-20	6.55	8.44	6.66	7.06
	21-30	7.62	6.57	6.70	7.04
December:	1-10	7.30	8.75	7.72	
	11-20	8.09	7.96	6.74	
	21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3-Period Moving Average
17.5
Imports as Percent of Total New Car Sales
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1984
1985
1986